The Board of Home Missions of the Presbyterian Church in the United States of America.

The School Department
156 Fifth Avenue
New York
Marshall C. Allaben, A. B. Superintendent

The Woman's Board of Home Missions of the Presbyterian Church in the United States of America.

October 8th, 1912.

My dear Mrs. Bennett:-

I am enclosing under separate cover a bulletin setting forth the ~~teachers~~ teachers' provisions for the pension system recently adopted by the State of New York.

I have felt that if a deduction of 1% should be made from all the salaries paid our teachers, this fund together with a tax of $1.00 per year on each of the missionary societies would provide a fund sufficient to meet all the proper needs of a pension system along the lines defined by the New York ~~system~~ laws.

I would be glad to have your advice in this matter at your earliest convenience, as I feel that the first deduction should be made from this year's salary, and we should begin to establish a fund at once, so as to make the retirement of some of our older workers possible. I believe, too, that such an arrangement should be ~~be~~ made retro-active within a period of three or four years at least.

Cordially yours,

Superintendent.

Mrs. F. S. Bennett,
165 Cooper St.,
Upper Montclair, N. J.

A/S.

Gen'l & Woman's Board.

1st Draft

W. C. A. CONFERENCE

Art. I. ESTABLISHMENT OF WOMAN'S BOARD RETIREMENT FUND. There is hereby established the Woman's Board retirement fund for its commissioned workers and office employees which shall consist of:

1. All contributions made by workers as hereinafter provided.

2. The income or interest derived from the investment of the moneys contained in such fund.

3. All donations, legacies, gifts andbequests which shall be made to such fund, and all moneys which shall be obtained from other sources for the increase of such fund.

4. Appropriations made by the Woman's Board from time to time to carry into effect the purposes of such fund, and which appropriations when made shall be paid into such fund and may be expended in the same manner as other moneys belonging thereto.

Art. II. DEDUCTIONS FROM SALARIES. All commissioned workers and office employees of the Woman's Board who enter into contract for employment after the date on which this act takes effect, shall contribute to the Woman's Board retirement fund one per centum of the salaries to be paid to such commissioned workers and office employees annually according to the terms of such contracts. On and after such date all such contracts shall be deemed to have been made subject to the provisions of this acticle, and the requirement as to such contribution shall become a part of and enter into all such contracts.

Art. LLL. RETIREMENT OF WORKERS. 1.A commissioned worker or office employee who has worked under the Woman's Board for a period of twenty-five years shall, upon his or her retirement from actual service

as such worker, on and after April 1st, 1915, be entitled to an annuity of a sum equal to one-half of the annual salary paid to such worker at the time of such retirement, provided that no annuity shall exceed the sum of six hundred dollars.

2. A commissioned worker or office employee who has worked under the Woman's Board for a period of ten years, who is either physically or mentally incapable of working, may be retired, and shall, upon his or her retirement, be entitled to an annuity of as many twenty-fifths of the full annuity for twenty-five years as said worker has been employed years by the Woman's Board.

3. Such retirement may be had on the request of the worker, or upon the request of any officer of the Woman's Board. A request for retirement shall be made in writing addressed to the Secretary of the Woman's Board, accompanied by evidence showing that the worker named therein is entitled to retirement, and that he or she has complied with the provisions of this article and the rules of the Woman's Board relating to the payment of annuities. The Woman's Board shall pass upon all requests for retirement, and shall determine whether such requests should be granted.

Art. IV. PAYMENT OF ANNUITIES. 1. A worker shall not be entitled to an annuity who has not contributed to the retirement fund an amount equal to at least 30 per centum of his or her annuity. But a worker who is otherwise entitled to retirement and an annuity under this article, may become an annuitant and entitled to an annuity by making a cash payment to the retirement fund of an amount which when added to his or her previous contributions to such fund, will equal 30 per centum of his or her annuity.

3. In case a worker who shall retire or be retired, is unable to pay in advance the sum required to make up the said 30 per centum of the annuity, the payment of such annuity may be withheld until the portion of the annuity withheld shall equal the sum required to make up said 30 per centum of the annuity.

3. Annuities shall be paid quarterly to the workers entitled thereto, upon warrants or orders of the Woman's Board signed by the Secretary and Treasurer of the ~~said~~ Board. Vouchers or receipts shall be signed in duplicate by annuitants upon receiving the money paid to them. Such duplicate receipts shall be returned to the Secretary of the Board, and one of them shall be retained in her office, and the other shall be filed in the office of the Treasurer of the Board of Home Missions.

4. Each annuity shall date from the time when the Woman's Board shall take action upon the request made as herein provided for the retirement of the annuitant.

2nd Draft

Art. I. ESTABLISHMENT OF WOMAN'S BOARD RETIREMENT FUND. There is hereby established the Woman's Board retirement fund for its commissioned workers which shall consist of:

I. All contributions made by workers as hereinafter provided.

II. The income or interest derived from the investment of the moneys contained in such fund.

III. All donations, legacies, gifts and bequests which shall be made to such fund, and all moneys which shall be obtained from other sources for the increase of such fund.

IV. Appropriations made by the Woman's Board from time to time to carry into effect the purposes of such fund, and which appropriations when made shall be paid into such fund and may be expended in the same manner as other moneys belonging thereto.

Art. II. DEDUCTIONS FROM SALARIES. All commissioned workers of the Woman's Board who enter into contract for employment after the date on which this act takes effect, shall contribute to the Woman's Board retirement fund one per centum of the salaries to be paid to such commissioned workers annually according to the terms of such contracts. On and after such date all such contracts shall be deemed to have been made subject to the provisions of this article, and the requirement as to such contribution shall become a part of and enter into all such contracts.

Art. III. RETIREMENT OF WORKERS. 1. A commissioned worker who has worked under the Woman's Board for a period of twenty-five years shall, upon his or her retirement from actual service as such worker, on and after April 1st, 1913, be entitled to an annuity of a sum equal to one-half of the annual salary paid to such worker at the time of such retirement, provided that no

annuity shall exceed the sum of six hundred dollars.

2. A commissioned worker who has worked under the Woman's Board for a period of ten years, who is either physically or mentally incapable of working, may be retired, and shall, upon his or her retirement, be entitled to an annuity of as many twenty-fifths of the full annuity for twenty-five years as said worker has been employed years by the Woman's Board.

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2. In case a worker who shall retire or be retired, is unable to pay in advance the sum required to make up the said

30 per centum of the annuity, the payment of such annuity may be withheld until the portion of the annuity withheld shall equal the sum required to make up said 30 per centum of the annuity.

5. Annuities shall be paid quarterly to the workers entitled thereto, upon the warrants or orders of the Woman's Board, signed by the Secretary and Treasurer of said Board. Vouchers or receipts shall be signed in duplicate by annuitants upon receiving the money paid to them. Such duplicate receipts shall be returned to the Secretary of the Board, and one of them shall be retained in her office, and the other shall be filed in the office of the Treasurer of the Board of Home Missions.

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Why not treasurer?

Dec. 3, 1912

2101

ART. 1. ESTABLISHMENT OF WOMAN'S BOARD RETIREMENT FUND. There is hereby established the Woman's Board Retirement Fund for its commissioned workers which shall consist of:

1. All contributions made by workers as hereinafter provided.

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ART. 11. DEDUCTIONS FROM SALARIES. All commissioned workers of the Woman's Board who enter into contract for employment after the date on which this act takes effect, shall contribute to the Woman's Board Retirement Fund one per centum of the salaries to be paid to such commissioned workers annually according to the terms of such contracts. On and after such date all such contracts shall be deemed to have been made subject to the provisions of this article, and the requirement as to such contribution shall become a part of and enter into all such contracts.

ART. 111. RETIREMENT OF WORKERS. 1. A commissioned worker who has worked under the Woman's Board for a period of twenty-five years shall, upon his or her retirement from actual

service as such worker, on and after April 1, 1913, be entitled to an annuity of a sum equal to one-half of the annual salary paid to such worker at the time of such retirement, provided that no annuity shall exceed the sum of six hundred dollars.

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The School Department
Answered 7/2/13
HERBERT WEBSTER
SPECIAL AGENT
Date JUN 30 1913
Noted
By

PROVIDENT LIFE & TRUST CO.
607 PROVIDENT BUILDING
PHILADELPHIA

210

W. O. A.

Ambler, Pa.
June twenty-eighth,
nineteen hundred and
thirteen.

Marshall C. Allaben, Superintendent,
The School Department,
Presbyterian Church,
#156 Fifth Ave.,
New York, N. Y.

My dear Sir:

Your letter of the 27th inst., with inclosure, arriving at my office this morning, was forwarded to me here. Without going greatly into detail, I am anxious answer your questions promptly, and, since you asked, to give briefly my comments on a plan submitted. I have had printed a Plan, copy of which I will send or bring you Tuesday, or Wednesday next. I have no copy here to forward with this letter.

The Provident Life & Trust Co. have no Pension Plan for their employees, nor have they any plan under consideration. While eventually insurance companies may adopt such a service--The Metropolitan and The Travellers have---I suppose the possibility of criticism for using policy-holders' money for such a purpose will deter many from rushing into the pensioning business. It is fast becoming a necessity if the better class-the desirable class-of workers are to be held in the employ of our institutions. The Provident is an unusually well managed company. They have felt the demand for pensions, but if they are expected to lead the conservative insurance companies in adopting pensions, they will not live up to expectations. This being simply my own private opinion.

The proper method of financing a Pension Plan is, in my judgement, to secure a clear half of the cost from the expected recipient, granting the return of this entire half with savings bank interest upon demand, the other half being contributed by the firm, association or institution benefited by the service of the individual. The entire fund, including the employees' half and the employer's half, should be set entirely apart from the institution granting the pension, for if it isn't some disreputable firm will bring the entire system to the ground and a tardy Government will step in and compel the money to be set apart from all risks of business. Instead of this being a hard thing to master, I think the booklet I send you will show that this is the more simple, certainly the cleaner, way to handle pensions. Each individual, if accepting the plan, should have an individual guarantee that accomplishing thus and so certain benefits will follow. If that guarantee is your guarantee and your guarantee is insured by a worthy institution then each worker is working this way; he has a savings bank account without which he would not be entitled to the part of the pension the employer has paid if he lives up to his part of the individual contract, and should he leave the employ before the pensioning period has been reached he either receives a proportionate amount of pension starting at once---if you, his employer, wishes him to have it--or he at least is benefited by what he has saved. A further equitable part of my plan entitles the employee to continue the pension by paying double, his part, and the employer's, part also.

My plan is that 50¢, 75¢, $1.00, $1.25, $1.50, $1.75, $2.00, $2.25, and $2.50 per week--these have also been worked out on a monthly basis as the booklet will show--will be contributed by the firm for differing lengths of service and different earning capacities. After working out this plan I find a German Pension system is regulated by earning capacity, and the New South Wales system which Mr Pritchett in his Seventh Annual Report of The Carnegie Foundation says is the best worked out pension yet submitted has the age, or length of service, fixing the amount of contribution. The booklet will show that the plan I speak of is graduated three ways, age, earning capacity and length of service. I might suggest on the subject of the proportionate amount of contribution by the worker, in Germany, the Government, the employer and the employee divide the pensioning cost; while the New South Wales system calls for an equal division between the person and the Government.—It is even more a risky business for a company to agree to give an annuity for life starting at a given age to their employees than it would be to agree to insure them in a fraternal order. The death expectation charges--except in fraternal orders--carries certain annual reserves which are necessary unless safety is not required. If the insurance companies of this country had sold annuities for life basing the charges on the American Experience Mortality Tables, instead of largely insurance policies, most of the companies would be non-existant to-day. There have not been much over 75% of the expected deaths. That means that the annuity business is a risky business and that even the insurance companies don't particularly care for it. Surely the insurance companies are better fitted to perform a service they have had slight experience with than any corporation which has had no experience and has all to learn in the business. I would hesitate toenter the publishing business but I dare say I would sooner take a chance in this business knowing nothing whatever of it than I would agree to pay those persons who might happen to work for me a pension for the balance of life starting at a certain age. I could never undertake it not knowing what the ultimate cost would be, which I could never know unless I lived out the time of the last one, unless I could find some reliable concern whose business it was to take the responsibility off my shoulders. Knowing what I do of the Annuity business I would select the corporation which has had the longest and most favorable experience in that business and if I could get what I desired for say 50¢ weekly for those one year in my employ and $2.50 weekly for those 25years inmy employ, I could at least know exactly what my yearly expenditure for pensions would be if each one joined for his limit. And I say that this cost multiplied by the cost for each employee would be less than any corporation will have to stand in the long run who guarantees pensions. Continued large additions to the numbers pensioned has nearly all to do with keeping down the cost of annuities. If you had 2000 employees now 2500 next year,3000 the next,and so on, you have nearly a stationary force as compared with 2000. added to 10,000.this year, 500 added to 15,000 the next, and so on. And don't you see that even the you started with a fund of $10,000,000. which The American Telephone & Telegraph Co did that they don't have any idea where they are coming out, or even if the plan will not bankrupt them in the end, and that one thing is certain,that it will cost a novice more than an expert in the business., and a stationary force, than an ever increasing young membership?

I have read the systems of many cities and school systems from which your plan has been brought to-gether, and while I grant a Government or City where a tax can any time add to the funds out of which a pension may be paid may add to the security offered,I can but refer you to Mr H. S. Pritchett's report for evidences of failure of non-contributory-on the part of the person benefited-plans mentioned by him.

And your way is the most un-certain way. If you are unable to pay the cost of purchasing what you desire from those whose business for years it has been to sell exactly what you are after, the first year, how can you succeed in something about which only an actuary can tell you- and most American actuaries very little at that--the eventual cost?

Suppose for instance you did not at once have a large fund- The Sustentation Fund of your Church has not been entirely subscribed I have been told--and yet wished to put your pension plan in effect at once, surely if you could get what you wanted with an outside gurantee to your individual workers, knowing that you would have to pay, say $4.00 per month average, for those who accepted, you could easily provide this required sum and you could continue to raise the larger endowment the interest of which would need to be sufficient to pay your half, and while the endowment was being raised and the years slipping by, you would have a direct opportunity for watching the pensioning cost, and, after experience, you thought you had learned enough about annuities to handle it yourself, don't you think that the wiser method of breaking into a new and intricate business?

The Provident Life & Trust Co has an annuity rate but Asa Wing, President, told me himself that they had lost money on their annuity business. They are not anxious enough for this pension business to make a return premium rate. The larger the business, if you lose on the little; ~~the~~ more ~~than~~ is apt to be lost on the greater. They have handled annuities since 1865. They don't care particularly about having such business. Many othre insurance companies' experience is the same, yet just at present nearly one corporation out of a hundred in this country has been hastening to jump into it knowing a great deal less about it than the Provident or any insurance company knows. I have selected as the best annuity company The Sun Life Assurance Company of Canada. Their rates are lower than The Sustentation Fund rates of your Church. They are lower than the rates of the Mass. Savings Bank annuity rates. They are preeminent in the pensioning business, their experience being the most extensive and the most favorable of any on this continent. Their actuary, Mr McCauley, knows more about pensions, I believe, than any other man alive. And when entering a new business, the BEST is none to good, and always the cheapest.

The part about all plans like yours that stpps me is, it is not a square deal. The older a person is at the time the annuity is to start the less is the sum necessary to pay the pension. In nine times out of ten the approximate one-tenth of the annuity cost which you have undertaken to collect from the worker is no more paid by the young than by the old, yet the younger person receives perhaps 50% more than the older tho the amount of the annuity may be identically the same, because $100. a year at 65 costs but $1000. while at 50 it costs $1550, for women. What I like about my plan is that the employer contributes just the same sums for certain earning capacities and lengths of service and the pensin returned depends on the age that he gets the right to retire, and the amount (principal at that time depends- as it should-upon the age at which he, or she, began to save. Your plan of pensioning will be taken over someday by outside guarantors and put upon a directly equitable basis. This equality is apparent in my plan now.

Very respectfully yours,

Robert McLean